UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

For: State and County Offices

Software Modifications to Revise the Method of Calculating
LDP and Loan Repayment Rates for Upland Cotton for All Crop Years

Approved by: Deputy Administrator, Farm Programs

1   Overview

A   Background

Notice CN-942 provided State and County Offices, CMA's, LSA's, and cotton clerks with the method that was to be used to calculate upland cotton loan repayment and LDP rates for all crop years, as soon as software revisions were available for the Automated Price Support System (APSS) and Automated Cotton Reporting System (ACRS).

Notice CN-951 informed State and County Offices, CMA's, LSA's, and cotton clerks that:

- revised software was being released
- new policy would become effective on April 7, 2003.

County Release No. 508 contained modified software that supports the new method of calculating upland cotton loan repayments and LDP rates.

B   Purpose

This notice provides State and County Offices, and cotton clerks, with APSS modifications contained in County Release No. 508 to calculate upland cotton loan repayments and LDP rates according to new policy applicable to all crops of upland cotton.

C   Contact

State Offices shall direct questions about this notice to Julie Floriani by:

- telephone at 202-720-8374
- e-mail to **julie_floriani@wdc.usda.gov**.

Disposal Date	Distribution
July 1, 2003	State Offices; State Offices relay to County Offices

2   Calculating LDP and Loan Repayment Rates in APSS

A LDP Rate Calculation

Before APSS was modified, the LDP rate for upland cotton was calculated as the difference between the National Average Loan Rate (NALR) and the Adjusted World Price (AWP). Premiums and discounts were **not** used in the LDP calculation.   Therefore, all cotton, regardless of classing, received the **same** LDP rate.

Software contained in County Release No. 508 modified APSS to calculate the LDP rate for upland cotton, for all crop years, as the smaller of the following:

• National Average LDP rate, which is the difference between NALR and the announced AWP

• loan rate for the applicable bale, which is the storing county's loan rate adjusted by applicable premiums and discounts. For gin direct LDP's, use the county loan rate for the administrative county.

If applicable, the coarse count adjustment (CCA) shall be added to the LDP rate as determined above.

Note: County loan rates are provided in 7-CN, Exhibit 15.

The following table provides an example of new policy for determining an LDP payment rate.

LDP Rate Calculation			Bale Loan Rate			LDP Payment
No CCA	NALR - AWP LDP Rate	52.00 - 32.00 20.00	County Loan Rate Premium & Discount Bale Loan Value	52.40 - 40.00 12.40		LDP payment shall be the smaller of: • LDP Rate. . . . . 20.00 • Bale Loan Rate. . . . . . 12.40. LDP payment = 12.40 cents per lb. for the bale.
With CCA	NALR - AWP LDP Rate CCA	52.00 - 32.00 20.00 01.00	County Loan Rate Premium & Discount Bale Loan Value	52.40 - 40.00 12.40		LDP payment shall be the smaller of: • LDP Rate. . . . . 20.00 • Bale Loan Rate. . .. . . 12.40. LDP payment = 13.40 cents per lb. for the bale (bale loan rate + CCA).

2   Calculating LDP and Loan Repayment Rates in APSS (Continued)

B   Loan Repayment Rate Calculation

Before County Release No. 508 modified APSS software, producers received a market gain, equal to the LDP rate, when a loan was repaid at the AWP.   In the case of poor quality cotton, where the loan rate for the applicable bale is less than the LDP rate, the repayment rate for that bale was calculated at a negative rate.

Example: If the bale loan rate was ".10", but the LDP rate was ".11", the repayment rate was "-.01". This negative amount was provided in the form of an additional disbursement at the time of repayment.

For all crop years of upland cotton, APSS software has been modified to calculate the loan repayment rate for cash repayments and commodity certificate exchanges at no less than zero, after application of all applicable premiums and discounts, location adjustments, and CCA.

Full credit will be given for all warehouse storage charges that have accrued during the loan period. This credit may result in a CCC disbursement at the time of loan repayment.

C   Sequence of Calculation

The loan repayment rate detailed in subparagraph B occurs as follows.

Step	Action
1	AWP is adjusted by the premiums and discounts for color grade and other classification factors that may have been applied to the loan rate of the cotton. The value of AWP following these adjustments **cannot** be less than zero.
2	Result is adjusted by any applicable CCA. **Note:** The result of this adjustment for CCA **cannot** be less than zero.
3	Result is reduced by the value of any approved storage credit. **Note:** The result of this adjustment **can be** less than zero. Any amount resulting from a value less than zero, resulting from only the storage credit, is to be remitted by CCC to the entity repaying the loan or making the Commodity Certificate exchange for the collateral.

2   Calculating LDP and Loan Repayment Rates in APSS (Continued)

C   Sequence of Calculation (Continued)

The following table provides an example of new policy for determining a loan rate.

Loan Rate Calculation	"Negative" Loan Repayment Calculation <u>Before</u> This Modification	Loan Repayment Calculation No Less than Zero <u>After</u> This Modification
County Loan Rate 52.40 Premium & Discount <u>- 40.00</u> Bale Loan Rate 12.40	AWP . . . . 32.00 Location Differential . . . . . + .40 Premium & Discount . . . . . <u>- 40.00</u> Loan Repayment - 7.60 Storage Credit . . . . <u>- 5.00</u> CCC Owes. 12.60	AWP . . . . 32.00 Location Differential . . . . . + .40 Premium & Discount . . . . . <u>- 40.00</u> Loan Repayment - 7.60 Loan Repayment Limited To 0 Storage Credit . . . . <u>- 5.00</u> CCC Owes. 5.00